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(D. P. Brown)

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FDIC San Francisco Regional Offices  
Attn: Regional Director John F. Carter  
25 Jessie Street at Ecker Square, Suite 2300  
San Francisco, California 94105

Dear Mr. Carter;

A flurry of correspondence requesting that I develop some thoughts relating to Wal-Mart's ambitions, suggests that this corporation's desire to enter banking, as evidenced by the enclosed New York Times article, would place The American Banking System in grave danger. As the Federal Reserve Banks ensure the capacity & soundness of so many financial transactions, as well as CRA, HMDA & other legislation, it's important that your examiners, analysts & auditors understand the general unease reaching into homes across the land. Personal academics relating to The Fed in graduate work, over a decade in Retail Management at regional & corporate levels, as well as local experiences fending off 4 Wal-Mart sites with-in five miles of my home should bring some credibility to the conclusion that such approvals are in every moral & pecuniary sense **wrong** !

Obviously, to you, there are also a variety of reasons for Wal-Mart to establish a Bank. Wal-Mart, given the scale of economy & it already having a hugely unbalanced political-economic impact, is after vertical integration of retail resources. With the new emphasis internal to the industry on fees and external to it with public expanse of ACH (Automatic Check Housing), which includes direct deposit, check card purchases, electronic checks, phone & internet financials. However, with Wal-Mart's culture, this also means information integration – personal information. Health insurers are consistently being caught reviewing information with major employers. Wal-Mart wouldn't possibly damage anyone's records could they? With their reputation?

Wal-Mart has made it quite clear they want their own bank in a retail position, not just POP processing. You know banks also oversee The Bank Secrecy Act & the recent U.S. Patriot Act ... they involve how you get & use & verify customer's & client's information & transactions. Think Wal-Mart & it's trading partners would like that one? What about all those thousands of locations ready for an in-store branch with all those hundreds of thousands of associates transactions & direct deposits for ... convenience? Wal-Mart stores would of course be totally private, safe & secure while their staff completely trained & systems would never submit to illegal monitoring or transactions ... just go into any Wal-Mart and ask yourself, "Do I have confidence in this bank?"

So, as you well know, there's a tremendous amount of personal information that Bank's have in their data-base to offer, or deny, the right products. Regulators allow it because a basic rule of law for licenses in the securities industry is, "Know your customer," and works well to keep the liars & thieves at bay. However, the marketing end calls it Profiling, and if a company like Wal-Mart got its hands on all the information needed for direct deposits, home mortgages, IRA's, insurance, or



Business Line application it could be devastating. The three major Credit Reporting institutions admitted to over 1/2 of people's credit reports having errors. Over 1/4 of those are grievously credit damaging. Almost all of those errors come from information given to them from Financial Holding Companies. Wal-Mart has already been caught utilizing confidential & privileged information to manage salaries, transfers, personnel records and promotions. Wal-Mart wouldn't possibly review or manipulate anyone's financial or wealth assessments to secure business profits?

There are a variety of resources to mitigate Wal-Mart's influence in establishing a Financial Holding Company of which a Bank would be a platform to sell other products, such as insurance, which it already sells to its store associates as a revenue stream. Most people are aware for each electronic transaction banks & other financial institutions in the process get %'s or fees, much like VISA or MasterCard. AmEx charges more so many retailers, like Wal-Mart don't carry it. Wal-Mart'll also charge you extra (\$.50) unannounced if you use the VISA or MasterCard system on your Check Card as opposed to the electronic payment (PIN) option on the stand-alone you swipe it through.

Fees for personal service, overdrafts, hard products, fund transfers (e.g., ACH), credit lines (e.g., credit cards) and the like are where Banks are now receiving a larger & larger portion of their revenues. Not from loans, it's not a wonderful life loan world, but from too many calls or teller transactions for the low level of your account. Fees from being late, moving money from one spot to another or simply finding information on your own transactions are starting to be excessive.

An average \$20 fee on a VISA logo'd check card that went a few dollars overdraft can easily cycle into over \$100 with a daily continuously overdraft charge of \$7 by the time a Bank's customer finds out a check bounced or in float & funds not available. You may wonder why the bank would let you make the purchase if the money's not available in your account? Such fees are like usury interest rates, and as such are currently being investigated by a variety of public & private agencies. The Twelve Federal Reserve Banks are not for profit private companies so concerns such as my personal experience with the internal accounting methods of U.S. Bank, Member FDIC, certainly shouldn't matter much as they post debits before credits, or should they.

As an example of how U.S. Bank, member FDIC, an FRB System member, can screw people: say I had \$25usd in a DDA available for withdrawal, and then place \$50usd cash into that account. This should mean available funds are \$75usd. This actually prints out as available funds matching ledger funds of \$75usd at U.S. Bank. I then go to spend \$45 for holiday supplies that same day with their highly promoted Check Card. Given banking days, this could be Friday after 6:pm to Monday 9:am. Unfortunately when I get my statement some time later, not using an ATM or Internet Services as with the majority of the planet, I find Overdraft Fees, Negative Balance Fees and Daily Continual Overdraft Fees in excess of \$1,000usd. With debits posting at the beginning of the banking day, irregardless of when the transaction took place, the available funds as printed on my deposit transaction record simply did not exist, as U.S. Bank's software secures that cash deposit be made at midnight, the withdrawal before 9:am. on the same day despite their own paperwork for public consumption, and transaction timelines showing otherwise. This is ACH in the real world, the kind of fee income, float & transaction manipulation that Wal-Mart accounting is licking it's chops over.

The Federal Reserve Banking Policy, as per Federal Law, requires that cash deposits be made immediately available, yet U.S. Bank didn't by simply posting a withdrawal transaction before it even happened. Imagine the revenues that U.S. Bank garners not only off of fee income this way, but revenues upon assets, as well as not having to go to the **primary & secondary discount windows**.



Because come Monday morning, those figures to be turned in by Wednesday, eliminate half of the calendar week and three fifths of the consumer activity relating to M1, M2 & the like with regards to withdrawing cash out of The System and putting it back into circulation. The Federal Reserve Bank is being scammed as much as the client. With a survey of over 100 banks, savings & loans as well as consumer credit unions, others do worse. If you think Wal-Mart, with a history of similarly manipulating stock-on-hands, for a greater stock-turn, to increase paper generated cash-flow wouldn't do such a thing, you're nuts!

Interesting to note that Jerry Grundheimer, President & Chairman of The Board at U.S. Bank is the American Banking Association's "Banker of The Year." There are other issues with U.S. Bank, but important in this communication is Enron being Fortune's Company of The Year before it fell; Tyco being hailed as prescient among Wall Streeters; Adelphia named Communications of Corporation of The Year by industry organizations; and Wal-Mart being exemplified as a business model as well as receiving many of those same laurels & accolades. What's going to go on with traditional services for demand deposit transactions when Wal-Mart's bank expands? Foreign official account holders? Investments, custodial and safekeeping responsibilities, as well as foreign exchange operations will all become part of business speculation.

Wal-Mart even subordinates its operational expenses into its Cost Of Goods to give itself a loan with billions of dollars in distribution pipeline & overhead for its goal of one new store a day -- that's \$50+ million in merchandise (or expenses in the form of phantom SKU's) deleted from locations opened more than a year to add to their inflated turn, which translates into cash-flow, profits, stock value ... etc. Think they haven't found accounting ammunition in banks that The Federal Reserve Banks keep sound to further such ends?

According to Discount Store News, Wal-Mart, the largest retailer in the world, plans to open a new store every day. They currently open a new store every other day. As of April 2003, there were 2,875 Wal-Mart stores in the US doing around \$160 Billion in business, with 1,258 Wal-Marts Internationally garnering \$40+ Billion, and 525 Sam's Clubs getting \$32 Billion in sales. Now consider there are over 400 closed stores in the Continental US still sitting vacant. Though criticized for deserting stores that under-perform, Wal-Mart has vacant properties with more than 25 million square feet of unoccupied store space across the country holding on to huge amounts of acreage. The company claims it tries to sell these properties, but the only potential buyers are other big retailers & malls, and Wal-Mart will not sell real estate to its competitors, nor give up equity & tax breaks garnered by these closures. In one Kentucky town, broadcast on PBS on August 28, 2001 an empty Wal-Mart was torn down at the taxpayers' expense.

There are other interesting subsidies for this \$220 Billion Transnational, such as waivers after forming Power Companies for local municipalities, CRA zoning or construction and OSHA code variances. But when all is totaled, it's still the largest company in history even without these manipulated rebates, tax & licensing breaks, eclipsing Exxon, GM, AT&T and Microsoft. And of the 10 richest people in the world, five are Wal-tons. This banking move smacks of arrogance!

The recent rash of publicly held companies Executive Elite being brought to justice for not following the laws that a government of the people, by the people and for the people enact, are made thin and vaporous by thousands of stores each being illustrated as acting alone, sheltering the corporate state of mind held by Wal-Mart. It's not free trade, not in the sense that the Moral Philosopher Adam Smith wrote about; not the responsible corporate administration that Theodore



Roosevelt opened the last century with; not The Corporation as a part of social fabric that Management Guru Peter Drucker preached; not the bank anyone needs nor wants!

What could Wal-Mart possibly do to banks? Consider that Wal-Mart knows 75%+ of its stores sales are taken from existing businesses. The revenues generated are offset many-fold by lost revenues & lost citizenship of residents, and alternative, responsible, indigenous local businesses & real estate managers or property owners. Money spent in locally owned businesses recycles through communities four to five times. Wal-Mart dollars, aside from sales taxes and take home pay for workers who live locally, leave the community immediately. So do lowered property values. A 1995 study by University of Massachusetts Professor Barnes found that having a Wal-Mart does not stimulate sales at local businesses & does not increase net tax dollars nor employment levels, rather just the opposite. Our Banking System can't risk such approaches!

Wal-Mart Corporation is notorious for overestimating sales & underrating a store's impact, and there-in lost tax base, leaving local governments and communities to bear the burden of underwriting the crime, roads and part time minimum wage staff. While the company brags that 70 percent of its workers are full-time, the average employee makes only \$15,000 a year for full-time work. At Wal-Mart the full time designation is 28+ hours a week for 6+ weeks during the December Holidays. These associates are still part time the rest of the year.

Think then of The Federal Reserve System's relationship. There are so many documented travesties of Wal-Mart as a business, violating what Management Guru (and my former professor) Peter F. Drucker called, "The recipient of social success," it's questionable how Wal-Mart got this far, or even taken seriously, for any state, federal or special district bank, given its reputation with all the Labour, Commerce & Elected Officialdom, as well as related local agencies & regulators.

And reputation is critical to establishing a Bank, or more importantly for Wal-Mart, the Holding Company, for ACH transactions, stocks, bonds, real estate, loans, lines and The Fed's Banking. To have a Bank or Holding Company requires the approval of a State or The National Controller. The National Office of The Controller of The Currency was created by Congress to charter national banks, to oversee a nationwide system of banking institutions, and to assure that national banks are safe and sound, competitive and profitable, and capable of serving in the best possible manner the banking needs of their customers. Wal-Mart would be a free rider in this as well.

Let me quote you from The Treasury Department's National Controller, "We not only look to senior managers to set the right tone; it's also their job to enforce it ... Accountability is key. Ethical companies not only reward ethical behavior; they penalize misbehavior" said Acting Controller Julie L. Williams; concluding by noting that as organizations get larger, potential increases for mistakes and misjudgments because of pressures, particularly if employees are incited to pursue profits at any costs. Couldn't possibly fit Wal-Mart, could it?

She continues with regards to structural governance and checks and balances being vital to sound governance and important protections against reputation risks, "... but, the ultimate protection for banking organizations, and for the people responsible for running them, is to instill in all employees a dedication to high standards of fairness and ethical dealing; to make clear throughout every corner of the organization, that no deal, no sale, no loan, no customer, and no profit opportunity, is worth compromising the American banking systems name, integrity, and reputation." People in the U.S.A. often forget that it's the U.S.A that's the most popular offshore banking nation in the world



for those not here because of this. Have you seen anything in Wal-Mart's behavior that identifies its brand with such goals?

Why write to members of The Federal Reserve Banks when hearings are at The FDIC, it appears to be a State Controller's issue and it's just for ACH? In all I know, most important to this process of affirmation & regulation are the 12 Not-For-Profit Congressionally Chartered Corporations, which issue credit & negotiables, for any bank wishing to operate in America, The Federal Reserve Banks. They are not really government entities, and have Public Advisory Councils, Industry Advisory Boards and Community Outreach Officers as well as localized Liaisons who try to secure what's called, "The Living Legacy." Match that with Wal-Mart's real world legacy.

However, the legacy in securing legislation like The Community Reinvestment Act has become a joke with almost all banks getting an *OUTSTANDING* rating, based upon information delivered to Federal Reserve Banks from member banks. Small Business Loans, Mortgage Brokering, Housing & Urban Development (e.g., HMDA) don't seem to be fulfilling the function in reality, in the same way my experiences with ACH & simple deposit records failed. I'm not opposed to technocracy stats & publications coming from the isolated individuals among The Fed Banks. But consider what would a Wal-Mart do given the power of its own review & lack of Fed Regs enforcement?

In spite of the Analysts, Examiners, Auditors and Compliance Specialists all trying to fulfill their duties, The 12 Federal Reserve Banks seem lacking. Each of the Federal Reserve Banks have regional branches which issue & destroy currency, credit and banks. They have the information & differentials on how economies in areas are changing & whether a state privately insured bank would suit the marketing area, or if the local banks need subordination to larger institutions for system soundness, as well as an individual bank's own compliance issues.

These Federal Reserve Banks, particularly the people advising them, need to know about Wal-Mart's character, history and intentions more than anyone. No matter if Wal-Mart chooses a plethora of State Chartered Banks or goes through The Controller of The Currency or influences elected officials or shadowy lobbyists to secure such moves, someone with your credentials should tell Wal-Mart and its friends in high places, it's not just about money! Thank You for your time.

Sincerely,



Christopher Callender

cc: Benjamin Bernanke, Chairman of The President's Council of Economic Advisors,  
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